

REMARKS/ARGUMENTS

Claims 1-21, 23-62 and 64-86 remain pending in the '631 application. Claims 1 and 59 are amended to correct minor, typographical errors. Claim 43 is amended for clarity, and does not introduce any new matter, at least pursuant support from the current claims (e.g., claim 1). Claim 86 is new, but does not add any new matter pursuant support from the specification, as discussed below.

Claims 1-12, 18-19, 26-29, 34-39, 41-53, 59-62, 67-69, 70, 75-80, 82, 83 and 84 stand rejected under 35 U.S.C. §103, in view of various combined references discussed herein below. Remarks addressing these rejections are provided below. In addition, this Amendment and Response is filed with a Declaration under 35 U.S.C. §1.132 (the “§1.132 Declaration”) and Exhibits A-E, avowing commercial success and copying by others.

Amendment and Acknowledgements

We thank the Examiner for indicating entry of the 08/09/2006 amendment and for informing Applicants that he is now handling examination of the '631 Application.

Claim Rejections – 35 U.S.C. § 103

Claims 1-12, 18-19, 26-29, 34-39, 41-53, 59-62, 67-69, 70, 75-80, 82, 83 and 84 stand rejected under 35 U.S.C. §103(a) as being unpatentable over U.S. Patent No. 5,159,560 ("Newell") in view of U.S. Patent No. 6,182,439 ("Hamm"), U.S. Patent No. 5,934,439 ("Kano") and U.S. Patent No. 5,739,512 ("Tognazzini"). Applicants respectfully disagree and traverse this rejection.

Independent Claim 1: In order to render amended claim 1 *prima facie* obvious, the combined references must teach or suggest all of the elements of the claim. In particular, Newell in view of Hamm, Kano and Tognazzini must teach or suggest Applicants' system for dispensing optical storage media. However, Newell, Hamm, Kano and Tognazzini, whether taken alone or in combination, do teach or suggest all features of claim 1.

The Examiner recognizes that Newell is silent with respect to many elements of claim 1, including a database with information representative of kiosk inventory and accessible by the user via the Internet. However, the Examiner contends that Newell teaches a database representing kiosk inventory, that is accessible by a user via a kiosk interface. See Office Action, p. 3, lines 1-5 and p. 4, lines 1-2. We agree that Newell does not teach an Internet-accessible database; however, we respectfully disagree with the Examiner's position that Newell provides a database representing kiosk inventory that is accessible by a user via a kiosk interface.

Neither of the Newell passages that the Examiner cites in support of his position recite or suggest this feature. Newell recites a database (see Abstract), but nowhere teaches or suggests that the database is accessible to a user via a kiosk interface. Newell recites a vending machine that displays a list of articles available for rent. See Newell col. 7, lines 27-28. However, there is no teaching of a user accessing a database to get the list, via a kiosk interface or the Internet.

In addition to the user-accessible database and other missing elements noted by the Examiner, Newell also fails to teach instructions that direct a CPU in a kiosk system server to transmit an electronic receipt to an email address. In Newell, "Customer receipts are printed with printer 610" of a vending machine. See Newell col. 8, lines 42-51; FIG. 6.

Hence, Newell fails to teach or suggest (and indeed teaches away from) at least two elements of claim 1, in addition to those specifically recognized by the Examiner. Thus, in order for the §103 rejection to stand, Hamm, Kanoh and/or Tognazzini must supply both of these missing elements. However, these patents fail to deliver.

User-accessible database:

The Examiner points to Hamm in an effort to construe a database that is accessible via a kiosk interface and the Internet. In particular, the Examiner states that Hamm "teaches allowing a customer to utilize the Internet to access the central computer to learn of new products and supply within the supply network and intelligent dispensing machines". Respectfully, the Examiner relies upon a single, non-enabled (and, respectfully, mis-read) passage in Hamm. The passage cited by the Examiner actually

states: "The integrated product supply network 10 even allows customers 26 to communicate directly with Computer 12 through the Internet 28 to learn of new products, supply feedback via email, and a whole host of other applications." Hamm col. 5, lines 12-15.

Learning of new products and supplying feedback via email is not the same as learning of new products within a supply chain. Hamm nowhere mentions that these new products are within a supply chain. In particular, Hamm's recitation of learning of new products and supplying feedback via email is not the same as accessing a database of kiosk inventory. Hamm does not mention a user-accessible database, at all.

If the Examiner has not mis-read Hamm, and truly believes that the above passage supports the rejection of claim 1, we note that Hamm must be read for what it fully and fairly suggests. A basic mandate inherent in section 103 is that a piecemeal reconstruction of prior art patents shall not be the basis for a holding of obviousness. It is impermissible within the framework of section 103 to pick and choose from any one reference only so much of it as will support a given position, to the exclusion of other parts necessary to the full appreciation of what such reference fairly suggests to one of ordinary skill in the art. *In re Kamm*, 172 USPQ 298, 301-302 (CCPA 1972). It is impermissible for the Examiner to use "hindsight" occasioned by the applicants teaching to hunt through the prior art for the claimed elements and combine them as claimed. *Zurko, supra In re Vaack* 20 USPQ 2D 1438 (Fed. Cir. 1991).

Given that Newell and Hamm do not teach the claim 1 user-accessible database, we now turn to Kanoh and Tognazzini. Kanoh and Tognazzini also fail to teach a user-accessible database (that is, the accessing of the database from a kiosk interface or over the Internet). Kanoh does not discuss databases at all, though it appears to allow a user to statically view articles at a window in a kiosk. See Kanoh Fig. 2. Tognazzini discusses databases in the context of company databases (in particular, databases belonging to credit card companies). See, e.g., Tognazzini col. 2, lines 37-39; col. 54, lines 48-55 and col. 7, lines 1-17, but nowhere indicates that such databases are accessible by a kiosk user, via the kiosk or otherwise. Indeed, common sense dictates that for security reasons, databases belonging to a credit card company would not be made available to the general

public (e.g., a kiosk user). Furthermore, if a credit card company can be said to have "inventory," logically, this inventory would be lines of credit. Credit, contrary to optical storage media, is not a tangible thing that is held and inventoried in a kiosk.

Kanoh and Tognazzini, like Newell and Hamm, fail to teach or suggest the user-accessible database of Applicants' claim 1. None of the other references listed on the Examiner's "Notice of References Cited" teach or suggest claim 1 element (a). Hence, the suggested combination cannot and does not render claim 1 *prima facie* obvious.

Transmission of electronic receipt from system server to email address:

As noted by the Office, Newell does not teach or suggest this claim element. Hamm, Kanoh and Tognazzini also fail to teach instructions for transmitting an electronic receipt from a CPU at a system server to a user-specified email address. In Hamm, "Dispensing machine 24 also includes printer 54 mounted on door 42...Printer 54 provides customers with printed receipts for their transactions". Hamm col. 7, lines 8-1; FIG. 2. Kanoh does not teach a receipt, at all.

The Examiner states that Tognazzini teaches "deliver [*sic.*] an electronic receipt based on said transaction to a user specified email address." Office Action p. 6, second full paragraph. However, in Tognazzini, it is not a CPU in a system server that transmits the receipt. Rather, Tognazzini teaches an e-mail generator at a merchant terminal or at a (separate) credit card company, which emails a receipt to a customer. See, e.g., Tognazzini col. 3, lines 9-15; FIG. 8, steps 850, 860. This is different from the claimed relationship of claim 1.

Since the combined patents do not teach or suggest every element of claim 1 (as noted above, at least two are missing), they cannot render claim 1 *prima facie* obvious. Moreover, the combination claimed is unique. We submit that for at least these reasons, claim 1 is allowable. However, the attached §1.132 Declaration and Exhibits additionally demonstrate secondary considerations of commercial success of the system and method claimed in the '631 application, and copying by others. See "§1.132 Declaration of Jens Horstmann", following this discussion of claim rejections.

Independent Claim 43: In order to render amended claim 43 *prima facie* obvious, the combined references must teach or suggest all of the elements of the claim. In

particular, Newell in view of Hamm, Kanoh and Tognazzini must teach or suggest Applicants' method for dispensing optical storage media. However, Newell, Hamm, Kanoh and Tognazzini, do teach or suggest all features of claim 43.

For example, claim 43 recites the step of providing a user with information representative of inventory of a kiosk, said inventory information contained in a database that is user-accessible (a) from the kiosk and (b) over the internet. As noted above, none of Newell, Hamm, Kanoh and Tognazzini, whether taken alone or in combination, fail to teach or suggest this feature.

The suggested combination does not establish a *prima facie* case of obviousness over claim 43, and for this reason alone, the §103 rejection cannot stand. However, the §1.132 Declaration filed herewith demonstrates ample secondary considerations (commercial success and copying by others) to rebut a holding of obviousness. See “§1.132 Declaration of Jens Horstmann”, following this discussion of claim rejections.

Dependent Claims 2-8, 18-19, 26-29, 34-39, 41, 42, 44-52, 69, 70, 75-80, 82 & 83: The courts have ruled that if an independent claim is nonobvious under 35 U.S.C. §103, then any claim depending therefrom is nonobvious. In re Fine, 837 F.2d 1071.5 USPQ2d 1596 (Fed. Cir. 1988). The aforementioned dependent claims are thus patentable, at least due to their dependence from claim 1 or claim 43.

The Examiner maintains official notice regarding multiple items that are admittedly not recited in the cited references. Respectfully, we continue to disagree with the official notice; however, we contend that it is moot because claims 2-8, 18-19, 26-29, 34-39, 41, 42, 44-52, 69, 70, 75-80, 82 and 83 all depend (directly or indirectly) from claim 1 or claim 43, which are not obvious. See above remarks; see also “§1.132 Declaration of Jens Horstmann,” below, which provides secondary considerations that are believed to rebut the holding of obviousness.

As with the official notice items, we submit that the separately discussed rejections of claims 13 and 54; 14 and 55; 30-32, 71 and 72; 33, 73, and 74; 23-25 and 64-66; 39, 40, 80 and 81; 41, 82 and 83, and 85 are likewise moot given the above arguments and the secondary considerations presented in the attached §1.132 Declaration.

New Claim 86: New claim 86 depends from independent claim 1, and benefit from like argument. This claim recites that the system server of claim 1 is operable to adjust a rental price of optical recorded media in said kiosk based upon market conditions local to said kiosk. This amendment is fully supported by the '631 Application:

"The system allows remote price changes...Recorded disk pricing may be determined on a kiosk-by-kiosk basis based on local market conditions. Pricing also varies depending on market elasticity; for example, premiums may be placed on DVD videos available in airport terminals. Differentiated pricing can be used for newer releases vs. older releases. In addition, rental terms and promotions may vary based on kiosk locations and the time of week, and can be adjusted remotely on demand." Specification p. 9, lines 17-29.

In further support of the amendment adding element (a), note that U.S. Provisional Patent No. 60/135,854, incorporated by reference in the '631 Application, claims a method for evaluating DVD disk usage and/or sales, including polling DVD kiosks for local consumer trends, marketing information, security information and/or disk quality. U.S. 60/135,854, claim 4.

None of the cited references, taken alone or in combination, teach or suggest a system server remote from and communicatively connected to said kiosk; said system server operable to adjust a rental price of optical recorded media in said kiosk based upon market conditions local to said kiosk. Newell, Hamm, Kanoh and Tognazzini are silent as to price adjustments. The other references listed on the Examiner's "Notice of References Cited" are likewise fail to teach this claim element. For example:

- Takahashi recites a disk cleaner device and is silent as to any sort of pricing, payment, fee or charge.
- Sakagami discloses an information recording method and does not teach or suggest any sort of pricing, let alone remote pricing based upon market conditions.
- Brindze recites a mass storage element and drive, and does not teach or suggest element (a). Notably, the terms "price," "cost," "fee," "charge" and "market conditions" are absent from Brindze.

- Lida does not teach or suggest remotely adjusting prices based upon market conditions local to a kiosk.
- Stein does not sell any product; thus, Stein does not teach remote price adjustments, at all.
- Menke is silent as to any price adjustments (remote or local) or basis therefor.
- Hirschfeld also fails to teach any price adjustments or adjusting.
- Vallaire teaches a walk-up automated florist system. There is no teaching or suggestion of remote price adjustments based upon market conditions.
- JP07182659 discusses reading bar codes. There is no teaching or suggestion of any type or price adjustment.

Claim 86 is believed patentable over the art of record.

§1.132 Declaration of Jens Horstmann

Pursuant MPEP §2141(III), "Objective evidence or secondary considerations such as unexpected results, commercial success, long-felt need, failure of others, copying by others, licensing, and skepticism of experts are relevant to the issue of obviousness and must be considered in every case in which they are present. When evidence of any of these secondary considerations is submitted, the examiner must evaluate the evidence." See also MPEP §716.01(a).

The §1.132 Declaration and Exhibits demonstrate DVDPlay, Inc.'s commercial success, including market share, as required pursuant MPEP §716.03(b)(IV). In particular, DVDPlay, Inc., the assignee of the entire right, title and interest in and to the '631 application, currently holds 16-20% of the movie rental kiosk market.

As noted in the §1.132 Declaration, the '631 application introduced a unique combination of features to the DVD vending kiosk market. Prior to the '631 application, there were no kiosks or machines that combined these features. Even now, the Examiner does not find the claimed combination in any of 12 cited references and, even when combining four separate references, cannot establish *prima facie* obviousness over the claims. If the claimed combination was so obvious, why did no one use it in the DVD vending kiosk market prior to the '631 application? And why did both the DVD vending kiosk market and DVDPlay, Inc., grow so quickly after the introduction (and copying) of

the combination claimed by Applicants? The answer is: because the '631 Application is not obvious under 35 U.S.C. §103.

We thus submit that the §1.132 Declaration and Exhibits provide ample secondary considerations to rebut the obviousness-type rejections. In accord with MPEP §716.03(b)(II), this commercial success also flows from the functions and advantages disclosed or inherent in the specification description. There is a nexus between the claimed inventions of the '631 Application and this commercial success. See §1.132 Declaration, item 7 and cited Exhibits. Among exemplary disclosures, see p. 2, line 32-p. 3, line 34 and p. 7, line 25 - p. 9, line 29 of the specification.

For example, as in claim 1 of the '631 application, each DVDPlay system includes a kiosk with a first central processing unit ("kiosk CPU"), a kiosk interface and a database including kiosk inventory information. The database is accessible by a user via the kiosk interface and via the Internet. See, e.g., Exhibit B, pp. B6, ¶2 and B24-B25; Exhibit C, p. C13. The kiosk CPU requests to a user request (via Internet or the kiosk interface) to identify inventory in the kiosk. See Exhibit C, pp. C1-C4; C11-C17; The kiosk CPU also requests and receives billing information, including a user-specified e-mail address, from a user. See Exhibit B, p. B8, ¶2; Exhibit C pp. C6-C7. The kiosk CPU likewise receives a request for optical storage media from the user. See Exhibit C, p. C4-C5, particularly, movie cart icon and screen. The request and billing information are transmitted to a system server, which performs credit verification on the billing information and transmits confirmation to the kiosk CPU if the credit account is verified. See, e.g., Exhibit B, p. B11, especially ¶7, noting intelligent backend that communicates with kiosk and manages credit transactions. The kiosk CPU dispenses the requested optical storage media to the user, and the server transmits an electronic receipt for the transaction to the user-specified e-mail address. See Exhibit C screen shots, pp. C1-C10; see pp. C11-C17, printed from DVDPlay, Inc.'s website, for exemplary Internet access and requests. See also Exhibit B, p. B1 for additional server details.

The combination of claim 1 provides for a high speed kiosk with a small physical footprint, which may be remotely managed and accessed, and which allows for credit-card based transactions and electronic receipts. Repeated reference to such beneficial features/impacts, including other specifically claimed features of claim 1, asserts a clear

nexus between commercial success and the claimed combination. See, e.g. Exhibit B, p. B1, ¶¶ 1-3 and 6; p. B3, ¶2; p. B11, ¶2; B13, ¶2; p. B24, ¶¶1-5; p. B37, ¶¶2, 4 and 5. At the same time, the combined features of claim 1 provide convenience to, and increase confidence in, customers transacting via the kiosks. Customers and retailers utilizing the DVDPlay system have remarked to DVDPlay, Inc. on the ease and convenience of the DVDPlay system and the assurance provided by the e-mailed receipt. See also Exhibit B, pp. B1-B2 (note that Freeflyr Automation is now DVDPlay, Inc.) and B20, ¶8; see also p. B55 ¶1 noting convenience and ease of use of Redbox machines, which are pre-dated by the '631 application and which copy features of the DVDPlay system. See "Copying by Others," below.

As in claim 43 of the '631 application, the DVDPlay systems operate according to a method for dispensing optical storage media from a kiosk that is remote from, and communicatively connected to, a system server. See, e.g., Exhibit C, p. C18-C20. A user is provided with information representative of kiosk inventory. This information is accessible at the kiosk and over the Internet. See, e.g., Exhibit C, screen shot at p. C2 (kiosk) and p. C12 (Internet). Billing information, including a user-specified e-mail address, is requested from the user. See Exhibit C, pp. C6-C7. A request for an optical storage media, and billing information (including a user-specified e-mail address), are received from a user at said kiosk. See Exhibit C, pp. C6-C7. The billing information is transmitted to the server for confirmation, and a credit verification routine is performed on a credit account in the billing information, with the system server. Confirmation is transmitted from the server to the kiosk responsive to a verification of credit account, and an electronic receipt is transmitted to the e-mail address in the billing information. See, e.g., Exhibit C, pp. C18-20. Confirmation of billing from the server is received in the kiosk, and the requested optical storage media is dispensed to the user. See, e.g., Exhibit C, p. C9.

Similarly, the combined steps of claim 43 provide for a high speed, remotely managed and accessible kiosk with a small footprint, which allows credit-card transactions and electronic receipts. See repeated reference to such benefits throughout the Exhibits to the §1.132 Declaration, e.g., at Exhibit B, p. B1, ¶¶ 1-3 and 6; p. B3, ¶2;

p. B11, ¶2; B13, ¶2; p. B24, ¶¶1-5; p. B37, ¶¶2, 4 and 5. Connecting a kiosk or kiosks to a central server, as in claim 43, "permits realtime remote control and administration of all functions and features." Von Shows, CEO of Tcjas Videos, Inc., see Exhibit B, p. B24, ¶3. See also Mr. Shows' comments regarding enhanced connectivity, management, diagnostic, inventory, efficiency, profitability, customer service and update benefits provided by DVDPlay systems.

At the same time, the combined steps of claim 43 provide convenience to, and increase confidence in, customers transacting via the kiosks. See, e.g., Exhibit B, pp. B1-B2 (note that Freeflyr Automation is now DVDPlay, Inc.) and B20, ¶8; see also p. B55 ¶1 noting convenience and ease of use of Redbox machines, which are pre-dated by the '631 application and which copy features of the DVDPlay system. See "Copying by Others," below.

The attached affidavit and Exhibits likewise demonstrate copying by others, providing comparison photographs of operational screens for DVDPlay, Inc.'s claimed system and method for dispensing optical storage media from a kiosk (hereinafter, the "DVDPlay system") and that of Redbox Automated Retail, LLC, which formerly contracted with DVDPlay, Inc., in an agreement for the DVDPlay system. These comparison photographs strongly suggest copying of operations (and flow thereof) of the DVDPlay system, as claimed in the '631 Application. See especially independent claim 43.

We submit that the §1.132 Declaration and Exhibits provide more than sufficient evidence (of commercial success and copying) to alone rebut the §103 rejections presented in the Office Action of 26 February 2007. In addition, we have shown that the references cited in the aforementioned Office Action do not teach or suggest all of the elements of Applicants' claims. Hence, we respectfully request consideration of the above remarks and the §1.132 Declaration and Exhibits, and withdrawal of all claim rejections under 35 U.S.C. §103(a).

Allowable Subject Matter

We thank the Examiner for indicating the allowable subject matter in claims 15, 17 and 56-58. We agree that the elements of these claims are not taught or suggested by

the prior art. However, we contend that all additional pending claims are allowable, given the amendments and remarks presented herein.

CONCLUSION

It is believed that this Amendment and Response, along with the attached §1.132 Declaration and Exhibits, addresses and overcomes all rejections presented in the final Office Action of 26 February 2007. Per 37 C.F.R. §1.7, this Amendment and Response is timely filed today, Monday, August 27, since the August 26 due date for reply fell upon a Sunday.

This submission is filed with a Request for Continued Examination and a Petition for Three Months' Extension of Time. The Commissioner is hereby authorized to charge the required Petition and RCE fees to Deposit Account No. 12-0600. Authorization is likewise given to charge the fee for one additional claim (claim 86) to Deposit Account No. 12-0600. No other fees are believed due; however, if any additional fee is deemed necessary in connection with this Amendment and Response, please charge the aforementioned Deposit Account.

If any issues remain outstanding, the Examiner is encouraged to telephone Applicants' attorney, Curtis A. Vock, at (720)931-3011

Respectfully submitted,

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